

Index	Asset Class	2024		2023
		Oct.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(0.8)%	19.0%	55.1%
S&P 500	Large Cap U.S. Equity	(0.9)	21.0	26.3
S&P 400	Mid Cap U.S. Equity	(0.7)	12.7	16.4
S&P 600	Small Cap U.S. Equity	(2.6)	6.5	16.1
MSCI All Country World	Global Equity	(2.2)	16.4	22.8
MSCI All Country World (Ex U.S.)	International Equity	(4.9)	9.1	16.2
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(5.4)	7.3	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(4.3)	12.2	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(2.5)	1.9	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(1.4)	0.9	6.2
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(1.1)	6.6	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	(0.5)	7.4	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.3)	13.4	19.2
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.3)	10.4	15.7
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.4)	7.5	12.3
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.4)	4.7	8.9
Data as of 10/31/2024. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Economy & Politics

The shelf life of this Monthly's issue will be shorter than most due to a sequence of notable events soon to follow. Tomorrow, Tuesday, of course, is Election Day – more on that a little later. Then on Thursday, the Federal Reserve's Open Market Committee (FOMC) will announce its interest rate decision following its two-day meeting. Then next week, we'll get October CPI and PPI data releases.

Regarding interest rates: The market seems to have baked-in expectations for a 25 bp cut for the Fed Funds rate later this week, which is entirely consistent with Chair Powell's guidance which we highlighted in our last Monthly. On the other hand, surprising has been the increase in market interest rates for intermediate and longer maturities since the Fed Funds rate was cut by 50 bp in mid-September. Based on Treasury yields, rates on 5-year maturities have risen 70 bp and rates on 10-year maturities are up about 60 bp since mid-September. We believe the countervailing rate shifts across the curve primarily reflect encouraging recent economic data (regarding inflation, employment, and economic growth¹) and corresponding market moves towards a normal upward sloping yield curve.

Regarding the Election, we'll just offer a few thoughts on the potential implications for the economy and markets:

- It may take up to a couple weeks to determine results, namely regarding the President and control of Congress, and markets don't like uncertainty.

- b) Markets also don't respond well to increased risks, political or otherwise, and any perceived challenges and threats to our democratic processes would sow risks, and also undermine the standing of our country and its influence among the international community.
- c) In our view, holders of political office receive much more blame or credit than they deserve regarding current economic conditions. The U.S. economy is massive and highly complex and is influenced by a multitude of secular and cyclical trends, global trade, and international geopolitics. While the U.S. President and Congress are in positions to make consequential decisions, the impact of most of their economic and tax policies can take years to meaningfully impact the broader U.S. economy. And, even when they finally do, those impacts may be among other greater impacts out of the control of fiscal policy.

Equity Markets

All equity indexes that we track declined in October, but nevertheless all are still trading near their all-time highs, except for the Emerging Markets index. Within October, U.S. stocks continued to outpace International stocks, and within the U.S., Large Caps continued to outperform Small Caps. Of note, the year-to-date performance comparisons across indexes have become quite pronounced, as the relative trends have prevailed consistently for several months.

Fixed Income Markets

Ouch! October was a tough month for bonds. Owing to the increase in intermediate-term market rates, the bellwether for the broader bond market, all the bond indexes we track declined some in October – with the investment grade indexes declining more than the higher yield indexes.

Reference(s):

- 1) CNBC News Article, September 18, 2024 - <https://www.cnbc.com/2024/10/31/pce-inflation-september-2024-.html>

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